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200525Z May 05

C O N F I D E N T I A L SECTION 01 OF 02 COLOMBO 000933

SIPDIS

E.O. 12958: DECL: 05/20/2015

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SUBJECT: SRI LANKAN PRESIDENT VOWS TO PASS JOINT MECHANISM,  
REQUESTS SUPPORT OF PUBLICLY-OWNED UTILITY RESTRUCTURING

Classified By: Ambassador Jeffrey J. Lunstead for reason 1.4 (d).

#### SUMMARY

1. (U) President Chandrika Kumaratunga gave an extemporaneous and sometimes emotional opening speech to the Sri Lanka Development Forum in Kandy on May 16, vowing to sign the "Joint Mechanism" on tsunami relief with the Liberation Tigers of Tamil Eelam (LTTE). She also asked donors to support her government's efforts to restructure (but not privatize) the "strategic" (yet inefficient) governmentally owned transport and energy sectors. The President continues to say she will go forward with the mechanism, but opposition to it is increasingly vocal as we head into a long holiday weekend. End Summary.

#### "FROM THE HEART"

2. (SBU) President Kumaratunga's opening speech before donors, ministers and political party leaders at the Sri Lanka Development Forum in Kandy on May 16 was extemporaneous and lengthy. According to the Foreign Minister Lakshman Kadirgamer, the "bureaucracy" had prepared a speech for Kumaratunga, which was to be an innocuous 15-minute presentation, yet she decided to speak "from her heart." (Note: She appeared to have brief notes hand-written on a crumpled envelope, but never seemed to consult them.) Appearing tired and stressed, it took some time for Kumaratunga to warm up and express what she apparently wished to say: that she intended to pursue the Joint Mechanism for the delivery of assistance to the north and east.

#### JOINT MECHANISM TO "OPEN MANY DOORS" TO PEACE

3. (U) Kumaratunga expressed a drive to continue providing relief with the LTTE in the tsunami-devastated areas. She described the Joint Mechanism as merely the formalization of the cooperative efforts that have already taken place for four months in the two kilometer-wide strip along LTTE-controlled regions of Sri Lanka's north and east. While clarifying that the Joint Mechanism is not a part of the peace process, she noted that the formalization of the Joint Mechanism could "open many doors" toward peace. She stated that working together would build confidence between the government and the LTTE with the Tamil population as a whole.

4. (U) She asserted (as she has in the past) that a majority of the Sri Lankan people and its government support the Joint Mechanism, and that no political party should try to gain "petty political advantage" in stalling the Joint Mechanism. She promised that her government had the courage to move forward with the initiative, and that she was willing to risk her life, limb and political future in this regard.

#### RESTRUCTURING NEEDED

5. (U) Turning to larger developmental issues, Kumaratunga also advised that restructuring of the ailing public transport sector and the power sector will take some time. "We need time to convince the people that we need to restructure the ailing public transport sector and the power sector established under a closed economy to turn them into efficient and effective public enterprises," she added, and informed the audience that the government does not believe in the privatization of strategic enterprises. She requested support of the donors in this matter.

#### FROM THE PULPIT (OR PEANUT GALLERY)

6. (U) At the conclusion of her speech, Buddhist monk and Jathika Hele Urumaya (JHU) party leader Ver. Athuraliya Rathana, sitting in the front row of spectators, interrupted the event to read out a statement of his own. Asserting that Kumaratunga had no authority to enter into the Joint Mechanism, he declared that it should be debated in Parliament. He denounced the LTTE for its terrorist activity, and said that the government should not enter into any agreement with the LTTE until it ceased killing opponents and recruiting children, and demolished its recently constructed airstrip.

#### CONTINUING CONTROVERSY

17. (U) Kumaratunga's dramatic speech and the JHU intervention have sparked continuing comment and controversy. On May 19, the JHU party reiterated its objections, with threats to walk out of Parliament if the Joint Mechanism was signed. Several JHU MPs staged a non-violent protest that included an eight mile walk from Parliament. In contrast, the opposition United National Party on May 19 asked why the Kumaratunga was taking so long to sign, noting that past presidents signed controversial agreements rather than making protracted proclamations of intent. Also on May 19, the Marxist-Nationalist Janatha Vimukthi Peramuna (JVP) strongly rejected the Joint Mechanism, stating that it would be unconstitutional, undemocratic, and would create chaos not only in the country but in the whole South Asian region. Instead, the JVP proposed setting up a national committee to rebuild the affected areas, which would be headed by the President and made up of Cabinet ministers, political party representatives, public sector officials, professionals, representatives from the business community and senior citizens.

COMMENT

18. (C) Kumaratunga's emotional speech reiterated what she told the Ambassador a week ago: that she will proceed with the mechanism come what may. But as Sri Lanka heads into a long holiday weekend, there is no sense of when she plans to do so, and opposition to the mechanism' is becoming more vocal with each passing day, especially from the President's coalition "partner" JVP.  
LUNSTEAD